

Message Text

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ORIGIN EA-09

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R 180301Z JUN 77
FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA

C O N F I D E N T I A L STATE 142090

E.O. 11652:GDS

TAGS: ENRG, EFIN, ID

SUBJECT: IRS AND INDONESIAN PRODUCTION-SHARING CONTRACTS

1. CONTACT WITH IRS, NATOMAS ATTORNEY, AND UNION OIL
TAX COUNSEL INDICATES THAT NOT MUCH PROGRESS HAS BEEN
MADE IN RESOLVING ISSUES.

2. NATOMAS REPRESENTATIVES MET WITH IRS LAST WEEK. NO
AGREEMENT REACHED ON HANDLING OF INCOME CONSOLIDATION
ISSUE (ALSO REFERRED TO AS ONE COMPANY-ONE CONTRACT ISSUE).
BEGIN FYI. NATOMAS PEOPLE WISH TO TALK WITH IRS ONCE
AGAIN BEFORE DISCUSSING MATTER WITH INDONESIANS. ON THIS
OCCASION THEY MAY ASK ROGERS AND WELLS MAN (FISHER) TO
JOIN THEM. END FYI. (WHILE THOROUGHLY INVOLVED IN
PREPARATION OF NATOMAS' REPRESENTATIONS TO IRS AND VERY
HELPFUL IN THIS RESPECT, ROGERS AND WELLS HAS SO FAR NOT
ACTUALLY ATTENDED ANY IRS SESSIONS). NATOMAS IS, HOWEVER,
GOING BACK TO GOI FOR CERTAIN NON-SUBSTANTIVE CLARIFICA-
TIONS ON HANDLING OF DEDUCTIONS FOR INTER-COMPANY INTEREST
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PAYMENTS.

3. UNION TAX COUNSEL REPORTED HE WILL BE MEETING WITH
IRS WEEK OF JUNE 27. HE IS BECOMING CONCERNED ABOUT
DEC 31 DEADLINE IMPOSED BY 1976 TAX REFORM ACT AND ABOUT

POSSIBILITY THAT IRS MAY CHOOSE TO DELAY ITS RULING

UNTIL ALL OIL COMPANIES INVOLVED HAVE FILED APPLICATIONS
FOR THIS RULING. AT PRESENT, ONLY THREE HAVE DONE SO
(NATOMAS, UNION, TREND). OTHERS MAY OR MAY NOT WISH TO
DO SO.

4. AMONG GUARDED COMMENTS OF IRS OFFICIAL WAS EXPRESSED
DESIRE FOR REASSURANCE THAT OIL COMPANY PAYMENTS TO GOI
WERE IN FACT INCOME TAXES AND NOT ESSENTIALLY SOMETHING
ELSE. VANCE

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Message Attributes

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Sent Date: 18-Jun-1977 12:00:00 am
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Disposition Action: RELEASED
Disposition Approved on Date:
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